

Hearing:

Financial Services Subcommittee on Housing and Insurance: "Implementation of the Biggert-Waters Flood Insurance Act of 2012: Protecting Taxpayers and Homeowners"

Date and Location:

Tuesday, November 19, 2013 1:30pm 2128 Rayburn

From:

Congressman Jack Kingston

Chairman Neugebauer and Members of the Subcommittee-

I appreciate the opportunity to express my views today on the changes to the National Flood Insurance Program, known as NFIP, brought about by the Biggert-Waters Flood Insurance Act of 2012. Before I begin let me make two things clear: I believe firmly that our first job as Members of Congress is to be responsible stewards of taxpayer dollars and reforms to the NFIP are needed because it is \$28 billion in debt to taxpayers. In a perfect world the NFIP would charge the appropriate amount of premiums so that it could insure whatever losses it incurred. NFIP would be self-containing. However, this is not the case. NFIP has expanded the number of participants while charging less and less in premiums. When a catastrophe hits, all taxpayers, whether they are enrolled in NFIP or not, are liable for the loss.

That being said, FEMA's implementation of wide reaching changes like those encompassed in Biggert Waters must be done competently and fairly. It should not be done in a way that undercuts markets so suddenly that it drastically disrupts the lives of hardworking Americans or causes undue hardship for our coastal communities. Prior to rate changes, FEMA should complete the affordability study required in BW12. According to Director Fugate, FEMA simply did not complete this study due to a "lack of time and resources." This is unacceptable. The federal government has provided flood insurance since 1968 under the National Flood Insurance Program, and is currently the only provider of flood insurance – there are no private companies that provide flood insurance.

Millions of mortgages are required to have flood insurance, and FEMA seriously neglected its responsibility by failing to complete an affordability study. Congress demands a rigorous cost/benefit analysis of every regulation and changes to NFIP are no exception.

In addition to doing the affordability study as required by law, FEMA should also grandfather previously subsidized rates on homes purchased before the new rates were implemented on Oct 1, 2013. As signed into law, BW12 states that homes purchased after enactment, July 2012, lose their subsidy. However, FEMA waited until March 2013 to remove subsidized rates and instead directed both the subsidized and non-subsidized rates to be quoted. Only starting on October 1, 2013 did FEMA require the unsubsidized rate to be independently listed. FEMA's lack of clarity created a significant amount of confusion. This is why I am introducing a narrowly targeted bill that simply extends the grandfathering of subsidized rates for primary residences purchased up to October 1, 2013 when the new, increased rates were actually reflected in the purchasers' home buying documents.

Again, I thank the Subcommittee for holding this hearing and I cannot stress the importance of getting the implementation of BW12 right. If this process is done quickly without a proper cost/benefit analysis and a thorough understanding of the effects it will prove disastrous for Georgia's coastal communities.